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Message Text

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47
ACTION EUR-06

INFO OCT-01 ISO-00 EB-05 L-03 RSC-01 DRC-01 /017 W
---------- 080633
R 011246Z MAR 74
FM AMEMBASSY BUDAPEST
TO USDOC WASHDC
SECSTATE WASHDC 915
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW
USMISSION BERLIN

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E.O. 11652: N/A
TAGS: ETRD, ETRN, HU
SUBJ: INSURANCE ON SHIPMENTS IN EAST/WEST TRADE
REF: (A) BUDAPEST 324; (B) STATE 23552;
(C) STATE A-9776

FOR BEWT/COMMERCE (SUZANNE PORTER); VIENNA FOR EWTC

1. RECENT ARTICLE IN QUARTERLY REVIEW HUNGARIAN ECONOMY BY LASZLO ACS, DEPUTY GENERAL MANAGER OF ALLAMI BIZTOSITO (STATE INSURANCE ENTERPRISE) PROVIDES FURTHER CONFIRMATION OF HUNGARIAN INTERNATIONAL INSURANCE PRACTICES WE HAVE REPORTED. THRUST OF ARTICLE IS THAT IT IS IN HUNGARIAN INTEREST TO INSURE ITS FOREIGN TRADE, BUT THAT THIS IS ACCOMPLISHED NOT BY QUOTE LEGAL OR BANK REGULATION END QUOTE BUT BY MUCH LOWER PREMIUMS HUNGARY OFFERS BECAUSE, UNLIKE WESTERN COMPANIES, QUOTE RATES ARE NOT INFLATED BY THE SAME HIGH COST RATIO, INTERMEDIARY COMMISSIONS. TAXES, ETC. END QUOTE.
2. POINTING OUT THAT IT IS IN QUOTE DIRECT INTEREST OF
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NOT ONLY THE HUNGARIAN FOREIGN TRADE COMPANY BUT ALSO

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OF HIS SELLER OR BUYER TO INSURE AT LOWER COSTS END
QUOTE HE NOTES THAT RECENT INVESTIGATION OF MARINE
INSURANCE RATES IN VARIOUS MARKETS WAS MADE. HE CONCLUDED
THAT QUOTE RATES CHARGED ON GOODS SUCH AS COFFEE, FISH
MEAL, OIL SEEDS, SUGAR, WOOL, COTTON, JUTE, FLAX, ETC.
WHICH CONSTITUTED 44.2 PERCENT OF HUNGARY'S DOLLAR CLEARING
IMPORTS IN 1971 WERE AS AN AVERAGE BY 87.3 RPT 87.3 PERCENT HIGHER
THAN THE HUNGARIAN RATES END QUOTE. NO MENTION WAS MADE
OF THE EXCHANGE RATE OR RATES USED IN THIS COMPARISON
OF FORINT-COST HUNGARIAN INSURANCE AND HARD-CURRENCY-COST
FOREIGN INSURANCE.
3. IT IS ALMOST CERTAIN THAT THIS DRAMATIC DIFFERENCE
IN COST TO HUNGARIAN FOREIGN TRADE COMPANIES AND FOREIGN
IMPORTERS AND EXPORTERS RESULTS FROM USE OF 23.35
FORINTS/DOLLAR RATE BY ALLAMI BIZTOSITO IN CALCULATION
OF FORINT-PRICED INSURANCE, WHILE FOREIGN TRADE COMPANIES
ELECTING TO USE WESTERN INSURANCE RATHER THAN ALLAMI
BIZTOSITO WOULD PAY IN DOLLARS OBTAINABLE AT 48.1
FORINTS/DOLLAR RATE.
4. AS NOTED IN REFTEL THIS SAME USE OF FAVORABLE FOREIGN
EXCHANGE RATE BY HUNGARIAN STATE MONOPOLY AND
UNFAVORABLE RATE FOR WESTERN ALTERNATIVES CREATES SAME
ECONOMIC INCENTIVE TO USE HUNGARIAN SHIPPING (MAHART)
AND TRUCKING (HUNGAROCAMION) SERVICES. THEREFORE, BOTH
PARTIES IN FOREIGN TRADE TRANSACTIONS HAVE ECONOMIC
INCENTIVE TO USE HUNGARIAN TRANSPORTATION AND INSURANCE
SERVICES. THUS THERE WILL BE STRONG TENDENCY (BUT NOT
AN INFLEXIBLE LEGAL REQUIREMENT) IN US/HUNGARIAN TRADE
FOR HUNGARY TO IMPORT FOB OR FAS AMERICAN PORT AND
EXPORT CIF AMERICAN, OR AT LEAST IMPORT FOB OR FAS
AND EXPORT CIF EUROPEAN TERMINUS.
PEDERSEN

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